REFINANCING

First, section 2(c), page 2: The wording change proposed here would eliminate the provision in the present law for reimbursement to the States of the Federal share of the cost of any project begun subsequent to July 1, 1968. This would have the effect of penalizing those states which have taken the lead in developing aggressive pollution abatement programs and which have made the most progress to date. For instance, this change would severely penalize New York State, which, by prefinancing the Federal share, has accelerated the progress of municipal plant construction. The rescinding of this provision is a reversal of that phase of congressional intent as set forth in the Clean Water Restoration Act of 1966. As New York State is one of the two largest paper-producing States in the Nation it, can easily be seen why we, as an industry, are concerned about any action which will retard the progress that is well under way.

TAXABLE STATUS OF BONDS

Secondly, Section 2(f)(3) on page 5: The elimination of the tax-exempt status of municipal obligations for pollution abatement, both on those to be serviced by Federal payments and also on those covering the State and local shares, would, in spite of Federal assistance proposed under section 2(f)(1)(B) of the bill, sharply increase the total cost of interest. In addition, the elimination of the tax-exempt status would reduce the marketability of many municipal obligations which are not rated as top quality. In many States, market conditions would require a level of interest rates in excess of legal limits established by State or local law.

Third, section 2(f)(5) on page 5: This provision of the bill would restrict contracts authorizing Federal installment payments to a treatment facility serving, essentially, either a population of 125,000 people or more, or a standard metropolitan statistical area as defined by the Bureau of the Budget. This restriction would eliminate from consideration for these contracts a great many municipal waste treatment plants in smaller communities where the need for financing is particularly acute, and would also preclude the possibility of this type of assistance for many joint municipal-industrial plants involving those industries, such as our own, whose installations are mostly in rural and relatively sparsely populated locations.

USER CHARGES

Fourth, section 2(f)(5)(C)(i), page 6: A contract under the bill would require that a system of user charges be established for the purpose of amortizing construction, operation and maintenance costs of the treatment works. In Mr. Adams' testimony, referred to above, we recognized that users of waste treatment works should pay their approriate share of the costs of construction and operation. However, many communities presently prefer to assess such costs on a property value or other basis, and we suggest that this right of choice should be preserved.